

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**DEFENSE BASE REALIGNMENT AND CLOSURE
BUDGET DATA FOR NAVAL AIR STATION MIRAMAR,
CALIFORNIA, AND REALIGNING PROJECTS TO
VARIOUS SITES**

Report No. 95-029

November 15, 1994

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Acronyms

BRAC	Base Realignment and Closure
CDC	Child Development Center
COBRA	Cost of Base Realignment Actions
MILCON	Military Construction
NAS	Naval Air Station
NAVFAC	Naval Facilities Engineering Command

Office of the Inspector General, DoD

Report No. 95-029
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DEFENSE BASE REALIGNMENT AND CLOSURE BUDGET DATA FOR NAVAL AIR STATION MIRAMAR, CALIFORNIA, AND REALIGNING PROJECTS TO VARIOUS SITES

EXECUTIVE SUMMARY

Introduction. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, directs the Secretary of Defense to ensure that the amount of the authorization that DoD requested for each military construction project associated with base realignment and closure does not exceed the original estimated cost provided to the Commission on Defense Base Closure and Realignment. If the requested budget amounts exceed the original project cost estimates provided to the Commission on Defense Base Closure and Realignment, the Secretary of Defense is required to explain to Congress the reasons for the differences. The Inspector General, DoD, is required to review each base realignment and closure military construction project for which a significant difference exists from the original cost estimate and to provide the results of the review to the congressional Defense committees. This report is one in a series of reports about FYs 1994 and 1995 base realignment and closure military construction costs.

Objectives. The overall audit objective was to determine the accuracy of Defense base realignment and closure military construction budget data. This report provides the results of the audit of seven projects, valued at \$64.2 million, for the realignment of functions from the Naval Air Station Miramar, California, to Naval Air Station Lemoore, California, and various other Navy sites. The audit also evaluated the implementation of the DoD Internal Management Control Program and assessed the adequacy of applicable internal controls.

Audit Results. The Navy properly planned, programmed, and documented four of the seven FY 1995 base realignment and closure military construction projects, totaling \$11 million, for relocating functions from the Naval Air Station Miramar to various Navy sites. The Navy overestimated requirements on two projects and incorrectly cited base realignment and closure funds for an additional project.

- The Navy did not properly identify the requirement for an aircraft maintenance hangar module at Naval Air Station Lemoore. Accordingly, the Navy overstated project costs by \$3 million (Finding A).

- The Navy overestimated the space requirements for community support facilities at Naval Air Station Lemoore. Accordingly, the Navy overstated the \$6 million military construction estimate by \$1.2 million (Finding B).

- The Navy incorrectly funded electrical upgrades with base realignment and closure funds instead of citing funds from the Energy Conservation Investment Program. Accordingly, the Navy can reduce base realignment and closure funds by \$3.8 million (Finding C).

Appendix B lists the seven projects and the summary audit results.

Internal Controls. Navy internal controls and the implementation of the DoD Internal Management Control Program were not effective because they did not prevent or identify material internal control weaknesses in planning and programming requirements for base realignment and closure military construction projects. The Commander, Naval Facilities Engineering Command, issued guidance establishing a requirement at all Naval Facilities Engineering Command field activities to validate Defense base realignment and closure military construction requirements and to improve the budget estimating process. This policy, when fully implemented, should enhance controls over base realignment and closure project estimates and should correct the material internal control weaknesses at Naval Facilities Engineering Command activities. See Part I for the internal controls reviewed and the findings in Part II for details on the internal control weaknesses identified.

Potential Benefits of Audit. Implementation of the recommendations will allow the Navy to put to better use up to \$8 million of base realignment and closure military construction funds and will strengthen internal controls. Strengthening Navy internal controls will ensure the accuracy of budget estimates for military construction projects resulting from base realignments and closures and could result in additional monetary benefits. However, we could not quantify the amount. Appendix C summarizes the potential benefits resulting from audit.

Summary of Recommendations. We recommend that the Navy revise and resubmit construction cost estimates for the aircraft maintenance hangar module and the community support facilities. We also recommend that the Navy cite funding from the Energy Conservation Investment Program to fund proposed electrical upgrades at Naval Air Station Lemoore. In addition, we recommend that the Comptroller of the Navy reduce base realignment and closure military construction funding by \$8 million for the aircraft maintenance hangar module, community support facilities, and utilities upgrade project and reprogram the \$8 million to other supported and unfunded base realignment and closure military construction projects.

Management Comments. The Navy did not comment on a draft of this report. The Under Secretary of Defense (Comptroller) replied, and agreed to place on administrative withhold, pending resolution, the funds for projects P-156T, "Aircraft Maintenance Hanger Renovation," P-161T, "Community Support Facilities," and P-157T, "Upgrade Water and Electrical System." A summary of management comments is in Part II, and the complete text of the Under Secretary of Defense (Comptroller) comments is in Part IV of this report.

Audit Response. We reviewed the space planning requirement estimates of project P-157T for the Counseling and Assistance Center and accordingly revised Finding B from the draft report. We request that the Navy comment on the report by December 16, 1994.

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This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, Department of Defense.

Part I - Introduction

Background

Initial Recommendations of the Commission on Defense Base Closure and Realignment. On May 3, 1988, the Secretary of Defense chartered the Commission on Defense Base Closure and Realignment (the Commission) to recommend military installations for realignment and closure. Using cost estimates provided by the Military Departments, the Commission recommended 59 base realignments and 86 base closures. On October 24, 1988, Congress passed, and the President signed, Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," which enacted the Commission's recommendations. Public Law 100-526 also establishes the DoD Base Closure Account to fund any necessary facility renovation or military construction (MILCON) projects associated with base realignments and closures (BRAC).

Subsequent Commission Requirements and Recommendations. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, reestablished the Commission. Public Law 101-510 chartered the Commission to meet during calendar years 1991, 1993, and 1995 to verify that the process for realigning and closing military installations was timely and independent. The law also stipulated that realignment and closure actions must be completed within 6 years after the President transmits the recommendations to Congress.

The 1991 Commission recommended that 34 bases be closed and 48 bases be realigned, resulting in an estimated net savings of \$2.3 billion during FYs 1992 through 1997, after a one-time cost of \$4.1 billion. The 1993 Commission recommended closing 130 bases and realigning 45 bases, resulting in an estimated net savings of \$3.8 billion during FYs 1994 through 1999, after a one-time cost of \$7.4 billion.

Military Department BRAC Cost-Estimating Process. To develop cost estimates for the Commission, the Military Departments used the Cost of Base Realignment Actions computer model (COBRA). COBRA uses standard cost factors to convert the suggested BRAC options into dollar values to provide a way to compare the different options. After the President and Congress approve the BRAC actions, DoD realigning activity officials prepare DD Form 1391, "FY 1994 Military Construction Project Data," for individual MILCON projects required to accomplish the realigning actions. COBRA provides cost estimates as a realignment and closure package for a particular realigning or closing base. The DD Form 1391 provides specific cost estimates for an individual BRAC MILCON project.

Required Defense Reviews of BRAC Estimates. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, states that the Secretary of Defense shall ensure that the authorization amount that DoD requested for each MILCON project associated with BRAC actions does not exceed the original estimated cost provided to the Commission. If the requested budget amounts exceed the original project cost estimates provided to the Commission, the Secretary of Defense is required to

explain to Congress the reasons for the differences. Also, Public Law 102-190 prescribes that the Inspector General, DoD, must evaluate significant increases in MILCON project costs over the estimated costs provided to the Commission and send a report to the congressional Defense committees.

Objectives

The overall audit objective was to determine the accuracy of Defense BRAC MILCON budget data. The specific objectives were to determine whether the proposed projects were valid BRAC requirements, whether the decision for MILCON was supported with required documentation including an economic analysis, and whether the economic analysis considered existing facilities. The audit also evaluated the implementation of the DoD Internal Management Control Program and assessed the adequacy of applicable internal controls.

This report provides the results of the audit of seven BRAC MILCON projects, valued at \$64.2 million, to support the realignment of Naval Air Station (NAS) Miramar, California, to NAS Lemoore, California, and various other Navy sites.

Scope and Methodology

Limitations to Overall Audit Scope. COBRA develops cost estimates as a BRAC package for a particular realigning or closing base and does not develop estimates by individual BRAC MILCON project. Therefore, we were unable to determine the amount of cost increases for each individual BRAC MILCON project.

Overall Audit Selection Process. We compared the total COBRA cost estimates for each BRAC package with the Military Departments' and the Defense Logistics Agency's FYs 1994 through 1999 BRAC MILCON \$2.6 billion budget submission. We selected BRAC packages for which:

- the package had an increase of more than 10 percent from the total COBRA cost estimates to the current total package budget estimates or
- the submitted FYs 1994 and 1995 budget estimates were more than \$21 million.

Specific Audit Limitations for This Audit. We examined the FY 1995 BRAC MILCON budget request and related documentation regarding the realignment of NAS Miramar functions to NAS Lemoore and various other Navy sites. We reviewed supporting documentation for seven projects estimated to cost \$64.2 million.

Introduction

Audit Standards, Potential Benefits, and Locations. This economy and efficiency audit was made from May through July 1994 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. Accordingly, we included tests of internal controls considered necessary. The audit did not rely on computer-processed data or statistical sampling procedures. See Appendix C for the potential benefits resulting from the audit. Appendix D lists the organizations visited or contacted during the audit.

Internal Controls

Internal Controls Reviewed. The audit reviewed internal controls for validating BRAC MILCON requirements. Specifically, we reviewed Navy procedures for planning, programming, budgeting, and documenting BRAC MILCON requirements applicable to seven realignment projects associated with the realigning of NAS Miramar to other Navy sites. We also examined Navy procedures for identifying and correcting inaccurate BRAC MILCON project requirements.

Adequacy of Internal Controls. The audit identified material internal control weaknesses as defined by DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987. Navy internal controls and the implementation of the DoD Internal Management Control Program were not effective because they did not prevent or identify material internal control weaknesses in the accuracy of the BRAC requirement for portions of three MILCON projects. We also examined the portion of the DoD Internal Management Control Program applicable to validating the accuracy of BRAC MILCON budget requirements. Although BRAC funding was an assessable unit, the program failed to prevent or detect the internal control weaknesses. See Part II for a discussion of the specific projects.

Command Efforts to Improve Internal Controls. In December 1993, the Commander, Naval Facilities Engineering Command (NAVFAC), issued guidance establishing a requirement at all NAVFAC field activities to validate BRAC MILCON requirements and to improve the budget estimating process. NAVFAC field activities' full implementation of this policy should enhance controls over BRAC project estimates because the policy provides for applying the existing criteria to validate regular MILCON project requirements. Implementation of the DoD Internal Management Control Program will also be strengthened by including the validation of BRAC MILCON project requirements as an assessable unit. Because of the Commander, NAVFAC, efforts, we made no recommendations concerning the internal controls.

Prior Audits and Other Reviews

Since 1991, several audit reports have addressed DoD BRAC issues. Appendix A lists selected DoD and Navy BRAC reports.

Part II - Findings and Recommendations

Finding A. Requirements for Additional Aircraft Maintenance Hangar Module

The Navy did not properly identify the requirement for an additional aircraft maintenance hangar module to support the realignment of aircraft from NAS Miramar to NAS Lemoore. The Navy did not use updated aircraft deployment data to determine the basic facility requirement for aircraft maintenance hangar modules. As a result, the Navy overstated the aircraft maintenance hangar module portion of project P-156T, "Rehabilitate Hangar 5, Relocate Reserve Center, ADP [Automated Data Processing] and Warehouse," by \$3 million.

Background

Navy Criteria for Computing Space Requirements. NAVFAC Publication P-80, "Facility Planning Criteria for Navy and Marine Corps Shore Installations" (Publication P-80), provides space guidelines to compute requirements for Navy aircraft maintenance hangars. Aircraft maintenance hangars are required to provide weather-protected shelter for servicing and repairing Navy aircraft at the organizational level and to provide emergency shelter for operable aircraft. Each hangar is divided into aircraft maintenance hangar modules (modules) that contain hangar space, crew and equipment space, and administrative space.

Publication P-80 states that, when planning aircraft maintenance hangars for a given installation, the number of aircraft and squadrons to be counted are determined by projecting peak scheduled occupancy of all aircraft for which the station will have an aircraft maintenance support mission. Peak scheduled occupancy is defined as the maximum number of aircraft that are scheduled for simultaneous assignment to the installation for the planned construction year. Occasional periods of short-term overlap of aircraft are not to be considered. Publication P-80 also states that one module should be planned for each standard-size fleet squadron that is normally composed of 12 to 18 carrier-type aircraft.

NAS Miramar Realignment to NAS Lemoore. The FY 1993 BRAC Commission recommended that Naval air squadrons and related organizations at NAS Miramar move to other Naval air stations. To implement part of the recommendation, NAS Miramar will realign to NAS Lemoore three types of Naval air squadrons: four E-2 reconnaissance aircraft squadrons (E-2 squadrons), one F/A-18 fighter/attack aircraft squadron (F/A-18 Squadrons), and four F-14 fighter aircraft squadrons. Table 1 lists the proposed facilities and estimated costs of project P-156T "Aircraft Maintenance Hanger Renovation" to support the requirement.

Finding A. Requirements for Additional Aircraft Maintenance Hangar Module

Table 1. Facilities Descriptions and Estimated Costs for Project P-156T

<u>Line Item</u>	<u>Line Item Description</u>	<u>Estimated Cost</u> (millions)
A	Fixed Point Utility System	(Included in Line Item C)
B	Relocate Reserve Training Center	\$ 0.408
C	Rehabilitate/Add to Maintenance Hangar 5	7.906
D	General Purpose Warehouse	20.479
E	Relocate Automated Data Processing	0.215
-	Contingency Costs	1.450
-	Supervision, Inspection, and Overhead	1.828
	Total	<u>\$32.286</u>

The existing hangar 5 at NAS Lemoore, which is currently used for F/A-18 squadrons, contains three modules. When the E-2 squadrons transfer, hangar 5 will require renovation to meet operational and maintenance staff requirements of the E-2 squadrons. Project P-156T, line item C, "Rehabilitate/Add to Maintenance Hangar 5," states that the Navy proposes to add an additional module to hangar 5 to support the incoming E-2 squadrons.

Requirements Planning. The Western Division, NAVFAC, San Bruno, California, and the Navy Public Works Center San Francisco Bay, Oakland, California, developed the requirements to support the construction of an additional module at NAS Lemoore. As of April 29, 1994, the Western Division estimated a requirement to construct a 23,560-square-foot module for \$2.57 million, support facilities for \$86,000, and contingency and overhead costs for \$300,354, for a total cost of \$3 million (rounded).

Requirements Identification for Modules

The November 1993 draft basic facility requirement for modules at NAS Lemoore identified a requirement for 24 modules to accommodate current NAS Lemoore squadrons and the NAS Miramar squadrons that will realign to NAS Lemoore. With a draft basic facility requirement for 24 modules and with 23 existing modules at NAS Lemoore, the Navy planners determined that one additional module was required to support the squadrons realigning from NAS Miramar.

Navy Use of Updated Data to Revise Module Requirements

In June 1994, the Navy Public Works Center San Francisco Bay revised the basic facility requirement for the NAS Lemoore aircraft maintenance hangar modules to eliminate the two modules for the two deployed F/A-18 squadrons.

Finding A. Requirements for Additional Aircraft Maintenance Hangar Module

The Navy March 1994 aircraft loading projections show that one E-2 squadron, two F/A-18 squadrons, and one F-14 fighter aircraft squadron will be deployed from NAS Lemoore at any one time. The March 1994 aircraft loading projections for NAS Lemoore made the following assumptions:

- Of the four squadrons of E-2s, each having four aircraft, three squadrons will not be deployed.
- Of the 11 operational squadrons of F/A-18s, each having 12 aircraft, 9 squadrons will not be deployed.
- Of the 4 squadrons of F-14s, each having 14 aircraft, 3 squadrons will not be deployed.

As stipulated in Publication P-80, Navy planners use aircraft loading projections and deployment data to develop basic facility requirements for aircraft maintenance hangar modules.

The nine modules for the deployable F/A-18 squadrons currently located at NAS Lemoore reflect the decreased module requirement caused by using the March 1994 aircraft loading projections and deployment data.

Table 2 shows the difference of the number of modules required for each unit between the NAS Lemoore draft basic facility requirement and the revised basic facility requirement for modules.

Table 2. NAS Lemoore Draft and Revised Basic Facility Requirement for Modules		
<u>Supported Units</u>	<u>Draft Number of Modules Required</u>	<u>Revised Number of Modules Required</u>
Permanent Naval units supported by NAS Lemoore	1	1.0
Fleet replacement F/A-18 squadrons	3	3.0
Reserve F/A-18 squadron	1	1.0
Deployable F/A-18 squadrons	11	9.0
Deployable F-14 fighter aircraft squadrons	5	4.5
Deployable E-2 squadrons	<u>3</u>	<u>3.0</u>
Total	<u>24</u>	<u>21.5*</u>
*Rounded to 22 modules.		

Finding A. Requirements for Additional Aircraft Maintenance Hangar Module

Support for Additional Module

The June 1994 revised basic facility requirement appropriately reflects the correct deployment data for squadrons assigned and being realigned to NAS Lemoore. NAS Lemoore already has 23 modules; therefore, the Navy overstated the requirement for an additional module for the realigning squadrons. As a result, the \$3 million module addition proposed in project P-156T is not supported, and the DD Form 1391 should be reduced accordingly.

Recommendations for Corrective Action

1. We recommend that the Deputy Chief of Naval Operations (Logistics), Shore Activities Division, revise and resubmit DD Form 1391, "FY 1995 Military Construction Project Data" for project P-156T, line item C, "Rehabilitate/Add to Maintenance Hangar 5," for space requirements based on Naval Facilities Engineering Command Publication P-80, "Facility Planning Criteria for Navy and Marine Corps Shore Installations," criteria and June 1994 revised basic facility requirements.
2. We recommend that the Comptroller of the Navy cancel \$3 million of funding for the aircraft maintenance hangar module portion of project P-156T, "Aircraft Maintenance Hangar Renovation," and reprogram the \$3 million to other supported and unfunded base realignment and closure military construction projects.

Management Comments

Navy Comments. The Navy did not comment on a draft of this report. Therefore, we request the Navy to provide comments in response to the final report.

Under Secretary of Defense (Comptroller) Comments. The Under Secretary of Defense (Comptroller) agreed to place the funds for project P-156T on administrative withhold pending resolution.

Finding B. Space Requirements for Community Support Facilities

The Navy overestimated the space requirements for the expansion of the Child Development Center (CDC) and the Counseling and Assistance Center portions of project P-161T, "Community Support Facilities," to be located at NAS Lemoore. The Navy did not properly utilize established criteria and did not accurately determine the eventual population that will be using each facility. As a result, the Navy overstated the \$6 million expansion of CDC and the Counseling and Assistance Center by \$1.2 million.

Background

Publication P-80 provides instructions for the maximum square feet allowable for community support facilities such as the CDC and the Counseling and Assistance Center. Publication P-80 requires that space allowed for child care, counseling, training, recreation, and rehabilitation services should be developed according to the population that will be using the facility.

NAS Lemoore is expanding the existing CDC and the Counseling and Assistance Center to support the additional Navy personnel realigning from NAS Miramar. The Public Works Center San Francisco Bay, NAS Lemoore, and the Western Division jointly developed space requirements for the CDC and Counseling and Assistance Center. As of May 19, 1994, the Western Division estimated that the facilities would require 44,461 square feet at a cost of \$6 million.

Requirements Determination - Child Development Center

The Navy estimated space requirements for CDC at 28,561 square feet. Table 3 shows the breakout of the space requirements.

Table 3. CDC Estimated Space Requirements	
<u>Facility Requirements</u>	<u>Proposed Space</u> (square feet)
Child care space	23,930
Indoor motor skills area	3,731
Family child care area	900
Total	<u>28,561</u>

Finding B. Space Requirements for Community Support Facilities

Child Care Space Requirements. We determined that NAS Lemoore overestimated the 23,930-square-foot requirement for child care space that will serve children between the ages of 6 weeks to 6 years. Personnel loading information includes an additional 267 children scheduled to relocate from NAS Miramar in FY 1997. We applied Publication P-80 category code number 740-74, "Child Development Center," and determined that NAS Lemoore is authorized 20,190 square feet to accommodate the additional 267 children that are estimated to be using the CDC. Therefore, project P-161T for the child care space portion of the CDC is overstated by 3,740 square feet, valued at \$520,327, and the DD Form 1391 should be reduced to reflect the difference.

Indoor Motor Skills Area Requirements. The Navy properly estimated and documented the requirements for the indoor motor skills area.

Family Child Care Area Requirements. The Navy properly estimated and documented the requirements for the family child care area.

Requirements Determination - Counseling and Assistance Center

Project P-161T for the Counseling and Assistance Center is overstated by 5,598 square feet, valued at \$713,837, and the DD Form 1391 should be reduced to reflect the difference. The Navy established a requirement for the Counseling and Assistance Center at 15,900 square feet to accommodate a maximum of 75 patients and a staff of 11 employees. We reviewed the current and projected patient workload of the Counseling and Assistance Center and determined that NAS Lemoore will have a maximum 40 patients at any one time and would require a staff of 15 persons. We applied Publication P-80 category code number 730-81, "Rehabilitation Center for Drugs and/or Alcohol," and determined that NAS Lemoore would require 10,302 square feet for the Counseling and Assistance Center.

Recommendations for Corrective Action

1. We recommend that the Deputy Chief of Naval Operations (Logistics), Shore Activities Division, revise and resubmit DD Form 1391, "FY 1995 Military Construction Project Data," for project P-161T, "Community Support Facilities," for space requirements based on Naval Facilities Engineering Command Publication P-80, "Facility Planning Criteria for Navy and Marine Corps Shore Installations," criteria and based on actual use.
2. We recommend that the Comptroller of the Navy reduce the total funding allocated for project P-161T by \$1.2 million, and reprogram the \$1.2 million to other supported and unfunded base realignment and closure military construction projects.

Finding B. Space Requirements for Community Support Facilities

Management Comments

Navy Comments. The Navy did not comment on a draft of this report. Therefore, we request the Navy to provide comments in response to the final report.

Under Secretary of Defense (Comptroller) Comments. The Under Secretary of Defense (Comptroller) agreed to place the funds for project P-161T on administrative withhold pending resolution.

Finding C. Energy Conservation Investment Program Funding

The Navy incorrectly applied BRAC funding for the electrical upgrade portion of project P-157T, "Upgrade Water and Electric System." The Navy did not explore the eligibility of the electrical upgrade portion of project P-157T for, or arrange for, funding by the Energy Conservation Investment Program. As a result, the Navy can reduce BRAC funding by \$3.75 million.

Background

The Office of the Assistant Secretary of Defense memorandum, "Energy Conservation Investment Program Guidance," March 17, 1993, considers the Energy Conservation Investment Program to be part of the Defense Agencies MILCON program. As such, this program is designed to fund MILCON projects that have been projected to save energy or reduce Defense energy costs. Eligible MILCON projects include the construction of new, high-efficiency electrical energy systems or the improvement and modernization of existing electrical systems.

NAVFAC Instruction 11010.44E, "Shore Facilities Planning Manual," October 1990, defines the Navy role and responsibilities of the Energy Conservation Investment Program. The Navy stated that the Energy Conservation Investment Program should provide for the maximum reduction in energy consumption for the dollars invested while satisfying the goals of annual cost savings for energy and while decreasing dependency on potentially unreliable energy sources. Energy Conservation Investment Program funding is appropriate for any MILCON project that provides documented energy cost savings. The Chief of Naval Operations message, "Shore Facilities Energy Management," October 1993, mandates that, under the Energy Policy Act of 1992, the Navy will provide Energy Conservation Investment Program funding for MILCON energy projects that have a savings payback of the utility upgrade cost in 10 years or less.

The Navy initiated Project P-157T to provide for upgraded and expanded existing potable water systems and electric distribution system to support the relocation of Navy personnel and equipment from NAS Miramar to NAS Lemoore. The total project is estimated to cost \$11.5 million, of which \$3.75 million is designated for electrical upgrades.

Finding C. Energy Conservation Investment Program Funding

Requirement Determination

The electrical upgrade portion of the project P-157T qualifies for Energy Conservation Investment Program funding because the economic payback period will occur during the sixth year of operations, and the DD Form 1391 should be revised to reflect the Energy Conservation Investment Program as the funding source. BRAC funding of \$3.75 million should not be used for the electrical upgrade portion of project P-157T. Project P-157T included the requirement to increase the distribution of electrical power from 12 kilowatts to 70 kilowatts and to rebuild and upgrade the existing transmission pole lines. The Western Division estimated that, because of this electrical upgrade requirement, NAS Lemoore will be able to reduce energy consumption and avoid \$746,012 in annual electrical utility costs. Table 4 shows the project costs to increase the distribution of electrical power and upgrading pole lines and the 6-year payback of project costs.

Table 4. Payback of the Electrical Utility Project Costs

<u>Year</u>	<u>Remaining Project Costs</u>	<u>Annual Costs Avoided</u>	<u>6-Year Payback of Project Costs</u>
1	\$3,752,000	\$746,012	\$3,005,988
2	3,005,988	746,012	2,259,976
3	2,259,976	746,012	1,513,964
4	1,513,964	746,012	767,952
5	767,952	746,012	21,940
6	21,940	746,012	0

Recommendations for Corrective Action

1. We recommend that the Deputy Chief of Naval Operations (Logistics), Shore Activities Division, revise and resubmit DD Form 1391, "FY 1995 Military Construction Project Data," citing Energy Conservation Investment Program funding for the electrical upgrade portion of the project P-157T, "Upgrade Water and Electric System."
2. We recommend that the Comptroller of the Navy reduce the BRAC funding for project P-157T by \$3.75 million, and reprogram the \$3.75 million to other supported and unfunded base realignment and closure military construction projects.

Finding C. Energy Conservation Investment Program Funding

Management Comments

Navy Comments. The Navy did not comment on a draft of this report. Therefore, we request the Navy to provide comments in response to the final report.

Under Secretary of Defense (Comptroller) Comments. The Under Secretary of Defense (Comptroller) agreed to place the funds for project P-157T on administrative withhold pending resolution.

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Part III - Additional Information

Appendix A. Summary of Prior Audits and Other Reviews

Inspector General, DoD

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
95-010	Defense Base Realignment and Closure Budget Data for Marine Corps Air Station Tustin, California, and Realignment to Marine Corps Air Station Camp Pendleton, California	October 17, 1994
94-179	Defense Base Realignment and Closure Budget Data for McGuire Air Force Base, New Jersey; Barksdale Air Force Base, Louisiana; and Fairchild Air Force Base, Washington	August 31, 1994
94-146	Defense Base Realignment and Closure Budget Data for Closing Naval Air Station Cecil Field, Florida, and Realigning Projects to Various Sites	June 21, 1994
94-141	Defense Base Realignment and Closure Budget Data for Naval Air Stations Dallas, Texas, and Memphis, Tennessee, Realigning to Carswell Air Reserve Base, Texas	June 17, 1994
94-127	Defense Base Realignment and Closure Budget Data for the Realignment of the Defense Personnel Support Center to the Naval Aviation Supply Office Compound in North Philadelphia, Pennsylvania	June 10, 1994
94-126	Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Glenview, Illinois, and Realignment Projects at Fort McCoy, Wisconsin, and Carswell Air Reserve Base, Texas	June 10, 1994
94-125	Defense Base Realignment and Closure Budget Data for the Naval Medical Center Portsmouth, Virginia	June 8, 1994

Appendix A. Summary of Prior Audits and Other Reviews

Inspector General, DoD (cont'd)

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
94-121	Defense Base Realignment and Closure Budget Data for Naval Air Technical Training Center, Naval Air Station Pensacola, Florida	June 7, 1994
94-109	Quick-Reaction Report on the Audit of Defense Base Realignment and Closure Budget Data for Naval Training Center Great Lakes, Illinois	May 19, 1994
94-108	Quick-Reaction Report on the Audit of Defense Base Realignment and Closure Budget Data for Naval Station Treasure Island, California	May 19, 1994
94-107	Griffiss Air Force Base, New York, Defense Base Realignment and Closure Budget Data for Military Construction at Other Sites	May 19, 1994
94-105	Defense Base Realignment and Closure Budget Data for a Tactical Support Center at Naval Air Station Whidbey Island, Washington	May 18, 1994
94-104	Defense Base Realignment and Closure Budget Data for the Defense Contract Management District-West	May 18, 1994
94-103	Air Force Reserve 301st Fighter Wing Covered Aircraft Washrack Project, Carswell Air Reserve Base, Texas	May 18, 1994
94-040	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for FYs 1993 and 1994	February 14, 1994
93-100	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for FYs 1992 and 1993	May 25, 1994

Appendix A. Summary of Prior Audits and Other Reviews

Naval Audit Service

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
041-S-94	FY 1995 Military Construction Projects From Decisions of 1993 Base Closure and Realignment Commission	April 15, 1994
023-S-94	Military Construction Projects Budgeted and Programmed for Bases Identified for Closure or Realignment	January 14, 1994
028-C-93	Implementation of the 1993 Base Closure and Realignment Process	March 15, 1993

Appendix B. Base Realignment and Closure Projects Realigned From Naval Air Station Miramar

<u>Project</u>	<u>Project Description</u>	<u>Gaining Location</u>	<u>Estimated Project Costs</u> (millions)	<u>Excess Costs Per Audit Results</u> (millions)
P-156T	Aircraft Maintenance Hanger Renovation	NAS Lemoore	\$32.3	\$3.0
P-157T	Utilities Upgrade	NAS Lemoore	11.5	3.8
P-161T	Community Support Facilities	NAS Lemoore	9.4	1.2
P-178T	Operational Trainer Building Addition	NAS Oceana, Virginia	2.8	0
P-319T	VAW-110 Training Facility	NAS Norfolk, Virginia	1.4	0
P-457T	F-14D Aviation Maintenance Addition	NAS Oceana	4.0	0
P-814T	Hangar Addition	NAS North Island, California	<u>2.8</u>	<u>0</u>
Total			<u>\$64.2</u>	<u>\$8.0</u>

Appendix C. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
A.1., B.1., C.1.	Economy and Efficiency. Revises and resubmits BRAC MILCON estimates according to established criteria	Undeterminable.*
A.2., B.2., C.2.	Economy and Efficiency. Reduces FY 1995 BRAC MILCON budget for project P-156T, line item C, "Rehabilitate/Add to Maintenance Hangar 5;" project P-161T, "Community Support Facilities;" and project P-157T, "Upgrade Water and Electric System."	FY 1995 Base Closure Account funds of up to \$8 million put to better use.

*Exact amount of additional benefits to be realized will be determined according to future budget decisions and budget requests.

Appendix D. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)

Department of the Navy

Assistant Secretary of Navy (Financial Management), Washington, DC
Commander in Chief, U.S. Pacific Fleet, Pearl Harbor, HI
Naval Air Force, U.S. Pacific Fleet, San Diego, CA
Fighter Airborne Early Warning Wing, U.S. Pacific Fleet, Miramar, CA
Naval Air Station Lemoore, CA
Naval Air Station Miramar, CA
Naval Air Station North Island, CA
Naval Air Atlantic, Norfolk, VA
Naval Air Station Norfolk, VA
Naval Air Station Oceana, VA
Office of the Comptroller of the Navy, Washington, DC
Naval Facilities Engineering Command, Alexandria, VA
Atlantic Division, Norfolk, VA
Southwest Division, San Diego, CA
Western Division, San Bruno, CA
Naval Public Works Center San Francisco Bay, Oakland, CA

Appendix E. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
Under Secretary of Defense (Comptroller)
Under Secretary of Defense for Personnel and Readiness
Assistant Secretary of Defense (Economic Security)
 Deputy Assistant Secretary of Defense (Economic Reinvestment and Base
 Realignment and Closure)
Assistant Secretary of Defense (Health Affairs)
Assistant to the Secretary of Defense (Public Affairs)

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management)
Assistant Secretary of the Navy (Installations and Environment)
Comptroller of the Navy
Commander in Chief, U.S. Pacific Fleet
Commander, Naval Air Force, U.S. Pacific Fleet
 Commander, Fighter Airborne Early Warning Wing, U.S. Pacific Fleet
 Commander, Naval Air Station Lemoore
 Commander, Naval Air Station Miramar
 Commander, Naval Air Station North Island
Commander in Chief, U.S. Atlantic Fleet
 Commander, Naval Air Station Norfolk
 Commander, Naval Air Station Oceana
Commander, Naval Facilities Engineering Command
 Commander, Atlantic Division
 Commander, Southwest Division
 Commander, Western Division
 Commanding Officer, Navy Public Works Center San Francisco Bay
Auditor General, Department of the Navy

Department of the Air Force

Auditor General, Department of the Air Force

Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistic Agency
Director, National Security Agency
Inspector General, Central Imagery Office
Inspector General, Defense Intelligence Agency
Inspector General, National Security Agency
Director, Defense Logistic Studies Information Exchange

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
Technical Information Center, National Security and International Affairs Division,
General Accounting Office
Chairman and Ranking Minority Member of Each of the Following Congressional
Committees and Subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security, Committee on
Government Operations

Honorable Barbara Boxer, U.S. Senate
Honorable Dianne Feinstein, U.S. Senate
Honorable Randy Cunningham, U.S. House of Representatives
Honorable Calvin M. Dooley, U.S. House of Representatives

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Part IV - Management Comments

Under Secretary of Defense (Comptroller) Comments



COMPTROLLER OF THE DEPARTMENT OF DEFENSE
WASHINGTON, DC 20301-1100

OCT 13 1994

(Program/Budget)

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DOD IG

SUBJECT: Audit of Defense Base Realignment and Closure Budget
Data for Naval Air Station Miramar, California, and
Realigning Projects to Various Sites (Project No. 4CG-
5008.23)

This responds to your September 12, 1994, memorandum
requesting our comments on the subject report.

The audit recommends that funding for projects P-156T, "Aircraft Maintenance Hanger Renovation," P-157T, "Upgrade Water and Electrical System," and P-161T, "Community Support Facilities," be reduced and reprogrammed to other valid BRAC military construction requirements. The basis for the recommendations is the contention that the Navy did not use established criteria and updated data to determine facility requirements for projects P-156T and P-157T and incorrectly budgeted BRAC funds for project P-161T.

We agree that the requirements for these projects should be determined and validated using established Navy criteria and updated information, and the project cost should be reduced where warranted. However, since the findings and amount of the savings are still in dispute, we will place the funds for the projects on administrative withhold pending resolution.


BRUCE A. DAUER
ASSISTANT DEPUTY COMPTROLLER
(PROGRAM/BUDGET)

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Sherry C. Hoda
Margaret Kanyusik

INTERNET DOCUMENT INFORMATION FORM

A . Report Title Defense Base Realignment and Closure Budget Data for Naval Air Station Miramar, California, and Realigning Projects to Various Sites

B. DATE Report Downloaded From the Internet: 03/09/99

C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #): OAIG-AUD (ATTN: AFTS Audit Suggestions)
Inspector General, Department of Defense
400 Army Navy Drive (Room 801)
Arlington, VA 22202-2884

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

F. The foregoing information was compiled and provided by:
DTIC-OCA, Initials: __VM__ Preparation Date 03/09/99

The foregoing information should exactly correspond to the Title, Report Number, and the Date on the accompanying report document. If there are mismatches, or other questions, contact the above OCA Representative for resolution.